

AR 70

*Measuring
our success with
economic,
social, and
environmental
criteria.*



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Westcoast Energy Inc.

1999 Annual Review
of Sustainable Development

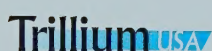
Corporate Profile

Natural gas is the clean-burning, economical and plentiful energy source that fuels Westcoast Energy's network of gathering, processing, transportation, storage, distribution and power generation operations.

The managed growth of these core businesses has positioned Westcoast Energy as a leading energy company with assets of approximately \$12 billion, and as a partner of choice for new major pipeline projects across North America. Westcoast Energy also has operations in Mexico, China and Indonesia.

Through the development of competitive businesses in energy marketing and retail, information and financial services, the Company continues to progress towards its goal of becoming a provider of superior energy services value to its customers.

In 1999, Westcoast Energy companies handled 3,193 billion cubic feet of natural gas and generated approximately 2.7 million megawatt hours of electrical power.



Natural Gas – Part of the Solution to Climate Change

Natural gas is the foundation of our business and we believe that it offers part of the solution to climate change and concerns over local air quality.

Natural gas is the least carbon intensive fossil fuel and on a full lifecycle basis (i.e., from the wellhead to the burner tip) contributes at least 20% fewer greenhouse gas emissions than oil and at least 50% less than coal. In relation to other fossil fuels, natural gas also results in lower emissions of sulphur, volatile organic compounds and particulate matter, supporting efforts to improve local air quality.

We recognize, however, that providing natural gas is not without impacts. That is why Westcoast Energy and the natural gas industry have actively sought solutions to issues such as sulphur emissions in the producing areas, access to wilderness and wildlife habitat created by pipeline rights-of-way or the release of mercaptan odourants.

As the world moves to address climate change and improve local air quality, natural gas will play an important role. In combination with energy conservation, it will help to bridge our current energy needs with the non-carbon emitting and renewable energy sources that will become viable in the future.

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Chairman's Message

In 1994 Westcoast Energy began exploring sustainable development – what it meant for the environment, the public, and for the way we were carrying out our business activities.

So we started early and we've worked hard every year since. We've tried to align our efforts and expectations with those of the public, governments and the marketplace.

In the early years this meant creating new management and reporting structures within the Corporation and its subsidiaries to ensure we made good progress in sustainable development. We spelled out our *Guiding Principles for Sustainable Development*. We set up our first Sustainable Development Council. We later expanded this to include the Safety Professionals Group, integrating health, safety and the environment. Clear lines of responsibility and reporting were established directly to the Board of Directors.

We chose to embrace sustainable development – rather than resist it. We did so because sustainable development acknowledges and encompasses a broad range of public concerns about the environment. It demands we not jeopardize our children's future, and it aligns our business interests with both.

This Review explores these points in detail, but let me highlight two items.

Early in the year we formed the Sustainable Development Advisory Committee, comprised of six of Westcoast's senior executive. This group provides a focus for integrating social and environmental considerations into the Company's day-to-day operations. This has the salutary effect of strengthening accountability at a very senior level within Westcoast Energy's diverse operations across Canada. It enables us to quickly spot and correct performance gaps.

Also during the year Westcoast Energy signed an agreement with the Acho Dene Koe indigenous peoples. The agreement pertains to the development of natural gas infrastructure in the Liard region of the Northwest Territories. This agreement weaves together all the things we are trying to achieve – the aspirations of the Acho Dene Koe, concern for the northern environment, and our own business activities. We know too that as development proceeds, reaching out and engaging the people affected by our activities will be essential to our success.

Westcoast Energy's progress toward sustainable development remains a journey rather than a specific destination. This year's Review is our report on the progress of that journey. I invite you to tell us how we are doing and how, realistically, we might do better.

Michael E.J. Phelps,
Chairman and Chief Executive Officer
June 15, 2000



One of the most profound changes in our business environment in recent decades has been the marked evolution in the public's expectations for corporate responsibility in environmental and social issues.

In the past, society measured "progress" on the basis of economic expansion and job creation. Today a combination of economic, environmental, and societal factors figure prominently in the measurement of corporate success. We refer to the sum total of these considerations as "sustainable development."

Sustainable Development is Good Business

At Westcoast Energy, we are proud to have taken a leadership role on sustainable development issues. Since 1994, we have recognized that making progress towards sustainable development ultimately benefits our employees, our customers, our business partners, our shareholders and the communities in which we live and work.

By conducting our operations responsibly, and in a manner that considers the complete spectrum of the economic, environmental and social impacts of our activities, we reap the benefits of community support, human capital and competitive advantage. At the same time, it also helps us to maintain access to the financial capital that supports our growth.

With this in mind, we have designed our sustainability program to measure success in terms of economic, environmental and social key performance indicators (KPIs). We continue to examine and improve these sustainability indicators in order to provide information for understanding and enhancing the relationships between the economic, environmental, and societal aspects of our operations. For example, beginning in 1999, Westcoast Energy set targets for four of our KPIs (Total Recordable Injuries, Total Reportable Motor Vehicle Accidents, Environmental Incidents, and completion of EHS audits relative to the Corporate EHS Audit Standards). Collectively, these indicators serve as valuable tools for benchmarking success and planning for and managing the resources that will support Westcoast Energy's sustainable development initiatives.

Progress in sustainable development is not without its challenges. Even with the commitment and best efforts of our employees, as well as the many successes we have achieved, we occasionally experience setbacks. Through these experiences, we are learning how to effectively mitigate the impacts of our activities. We then apply the lessons learned to constantly improve our efforts to integrate sustainable development into our daily activities.

As we move forward with the integration of sustainable development into our operations, employee and community education and awareness play a central role. This report details our progress over the past year and fulfills our commitment to communicating our progress.



Building Blocks for Sustainable Development



Board of Directors' Environment, Health and Safety (EHS) Committee

Marnie Paikin (Chair), Director of Union Gas Limited and Atomic Energy of Canada Ltd.

William Neville, Chairman of The Strategies Group

William Saywell, Vice Chairman of Intercedent Ltd.

Arthur Willms, Director of Crestar Energy Inc.; Director of Pacific Northern Gas Ltd., Union Gas Limited and Centra Gas British Columbia Inc.

Robert Wyman, Chairman and Director of Suncor Energy Inc.

Sustainable Development Advisory Committee

Doug Haughey, President, Pipeline and Field Services Divisions

Irvine Koop, Executive VP and President and CEO, Pipeline, and Midstream

Robert Reid, Executive VP and President and CEO, Union Gas Limited

Wayne Soper, VP, Environment and Government Relations

Michael Stewart, VP Business Development Division

David Unruh, Senior VP, Law and Corporate Secretary

The key to Westcoast Energy's sustainable development program lies in a strong framework of people and tools capable of assisting employees in integrating sustainable development into their daily activities. In 1999, we made a number of improvements to our organizational structure to better support the ongoing integration of sustainable development policies and practices across the Westcoast Energy group of companies.

Board of Directors' Environment, Health and Safety (EHS) Committee

The scope of the Board's EHS Committee has been revised to explicitly include public health and safety and sustainability. As part of this update, a more comprehensive reporting and review process has been implemented with a focus on measuring and improving performance.

Sustainable Development Advisory Committee (SDAC)

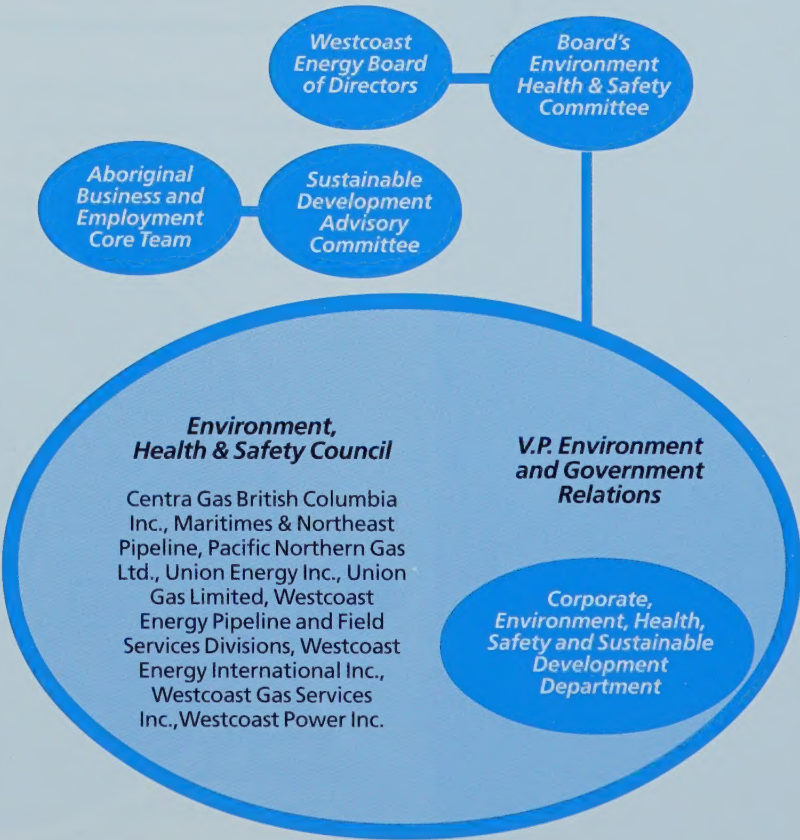
The recent creation of this Senior Executive committee provides a focal point for Westcoast Energy's reassessment of sustainability as well as a policy level forum to oversee EHS governance and due diligence. The purpose of the SDAC is to ensure alignment of Westcoast Energy's sustainable development principles and activities with the Corporation's overall strategy. This includes performance monitoring, progress reviews, change recommendations, and management leadership.

Environment, Health and Safety (EHS) Council

The EHS Council is responsible for leading the delivery of EHS governance and due diligence across the Westcoast Energy group of companies. Comprised of the senior EHS managers from each operating company, the Council provides a forum for learning, collaboration and leadership so that we can integrate EHS into business decision making. In 1999, the Council expanded its Terms of Reference to incorporate the mandate of the former Health & Safety Professional Group.

Aboriginal Business and Employment Core Team

The Aboriginal Business and Employment Core Team consists of representatives from Westcoast Energy's operating companies whose business interests coincide with First Nations' interests. The team provides guidance and support to the Aboriginal Relations resource staff across the group of companies.



Westcoast Energy a Silver Champion

The 1999 Voluntary Challenge and Registry Progress Report (1998 emissions inventory) was submitted to VCR Inc. in January 2000. Based upon the 1998 Progress Report, Westcoast Energy is identified as a Silver Champion Level reporter, entitling the company to carry VCR's Silver level logo.

Environment, Health and Safety Management System (EHSMS)

Environment, health and safety remain a cornerstone of Westcoast Energy's approach to sustainable development. To ensure that sustainable development issues are effectively and consistently addressed enterprise wide, Westcoast Energy has established a comprehensive enterprise-wide Environment Health and Safety Management System (EHSMS). The Management System creates a foundation for all EHS management programs and procedures to support the seamless integration of sustainable development considerations

into our operations and activities. In the past year, the EHSMS has provided a framework for undertaking the following initiatives:

- Implementation of the corporate level management system audit program;
- Implementation of the EHS Risk Assessment Guidelines;
- Development of an Emergency Response Management System Standard and Guidelines for Company-wide implementation; and
- Development of a Contractor Management Standard.

Addressing our Sustainable Development Challenges

Sustainable Development Challenges

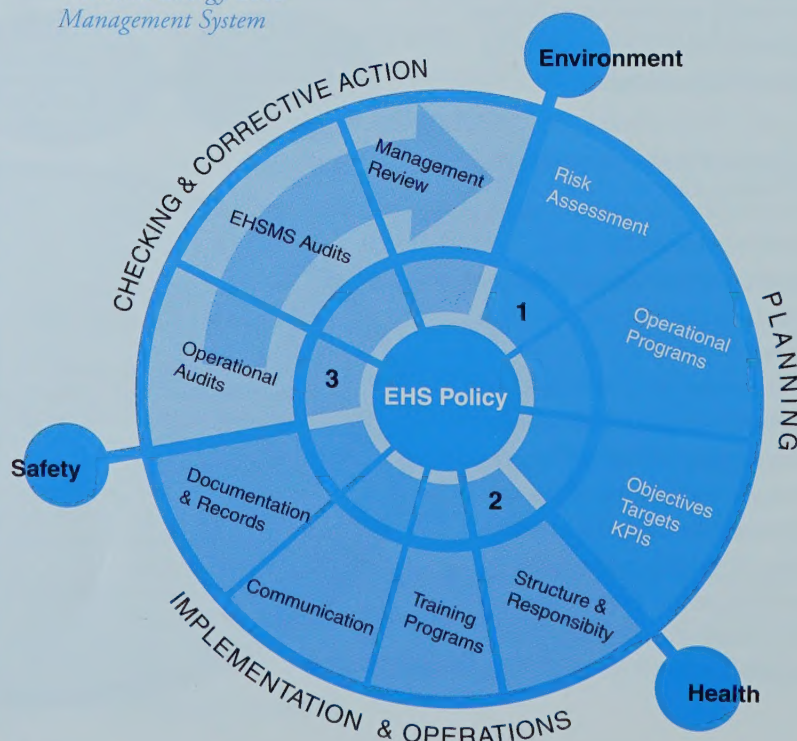
By necessity, sustainable development is a work-in-progress; it must continue to reflect changes in the public's values and concerns as well as constantly evolving business practices. In 1999, within our sustainable development framework, Westcoast Energy focused attention on four key areas that relate to the sustainability of our operations: climate change, local air quality, land-use management and safety.

Climate Change

Climate change is a significant agent of change for the energy industry. While we believe that natural gas is a key part of the solution to climate change, we have also taken practical and realistic steps to reduce our own greenhouse gas emissions. At the same time, we remain committed to working with business partners, government and international organizations to ensure the efficient use of natural gas until such time as non-carbon emitting and sustainable energy sources become commercially viable.

Since 1990, emissions per unit throughput across the enterprise have dropped by 20%. This reduction signals significant progress in Westcoast Energy's efforts to increase the efficiency of our gas gathering, processing, transmission and distribution operations for each million cubic meters of gas that pass through our system.

Westcoast Energy EHS Management System



Natural Gas:
Part of the Solution
to Global Climate
Change



Conservation

Renewables

Natural Gas

Oil

Coal

Natural Gas
Solution

Climate Change
(Continued)

The Role of Natural Gas

Natural gas occupies a unique and strategic position in the hierarchy of energy resource options. Unlike coal and oil, natural gas has a high hydrogen/carbon ratio and emits less carbon dioxide for a given quantity of energy consumed. The efficient use of natural gas, together with the continued pursuit of energy efficiency and conservation, and support for the development of cost-effective renewable energy sources, is key to a viable strategy to address climate change.

However, more efficiencies will be required to reduce the future risks we may face from policy directives intended to address climate change. In the meantime, we are taking action to improve our greenhouse gas inventories by better quantifying our emissions sources and types of emissions. This emissions data allows us to understand the full extent of our emissions and to better identify cost-effective options for reducing emissions.

Westcoast Energy also participates in external activities including the development of flexible market instruments that will assist in monitoring and reduction of emissions. Westcoast Energy is an active member of the KEFI-Exchange – an Internet-based electronic commodities exchange that facilitates the trading of carbon dioxide emission reductions from electrical generation. During 1999, Westcoast Energy contributed \$15,000 to assist in the development of the exchange. Additional information is available at: www.kefi-exchange.com

Climate Change: Building
Awareness and Understanding

Westcoast Energy continues to work with energy industry associations in Canada, and internationally, to build awareness and understanding of climate change and how policies to address it may affect our business. Since 1997, Westcoast Energy has developed a variety of materials to assist managers in understanding climate change and its implications for the Company, including:

- Five issue papers that examine topics ranging from the Kyoto Protocol to the sources of emissions within the natural gas industry;
- A technical paper that characterizes the state of the science and the scientific debate regarding climate change; and
- A paper on emissions trading policy and how an emissions trade could be undertaken.

These papers are available on our Web site: www.westcoastenergy.com

Additional details of Westcoast Energy's climate change initiatives are highlighted in our annual Voluntary Challenge and Registry Progress Report. The report is available on our Web site at: www.westcoastenergy.com/pdf_files/vcr99.pdf

Local air quality

In recent years, the use of fossil fuels has not only created concerns about global climate change; their use also leads to emissions that can create undesirable impacts on local air quality. Addressing this issue has become a priority in numerous communities throughout North America.

In support of that objective, natural gas offers a cost-effective means of improving air quality. Natural gas is the cleanest

burning fossil fuel, contributing fewer particulates, sulphur and nitrogen compounds to the urban airsheds in which it is consumed.

Westcoast Energy recognizes that we generate emissions that may contribute to local air quality issues in the vicinity of our processing plants. We continue to develop programs and tools to address and manage these emissions. One promising tool is emissions trading. Trading in emissions offers the opportunity to aggressively hit emissions targets by providing an incentive to invest in new technologies that result in fewer emissions.

To assist in building capacity for emissions trading, Union Gas has been an active member of Ontario's Pilot Emission Reduction Trading Project (PERT) since 1996. PERT is an industry-led volunteer environmental initiative that is evaluating emission reduction trading as a tool to assist in the reduction of smog and other air pollutants in the Windsor-Quebec corridor. PERT has been endorsed by the Ontario Ministry of the Environment with a Memorandum of Understanding effective until March 2001. PERT members operate as a think-tank on emissions trading and have been gaining practical experience in creating trading rules and a system of emissions trading in Ontario, nationally, and internationally.



The emissions trading paper is available on the internet at www.westcoastenergy.com

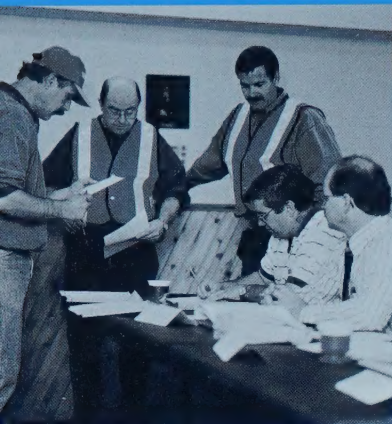


Table top emergency response exercise in Fort St. John, BC

Muskwa-Kechika Land Use Planning

Westcoast Energy was an active member of the Land and Resource Management Planning (LRMP) groups that worked with a variety of stakeholders to establish the Muskwa-Kechika, a protected and special management area in the Northern Rockies area of northeast BC.

The Muskwa-Kechika will be managed through a multiple-interest advisory board and supported with an industry government trust fund, to which Westcoast Energy contributed \$50,000. The funds will be directed towards projects that facilitate the integrated land-use management of the Northern Rockies and that address environmental, economical and Aboriginal concerns.

Land-use management

Attention to land-use concerns is fundamental to achieving sustainability in Westcoast Energy's operating regions. Our challenge is to strike a balance between reducing impacts to landowners, traditional users of land, wilderness areas and wildlife, while continuing to build and operate our facilities. Striking this balance is key to maintaining the "license to operate" that Westcoast Energy enjoys with its stakeholders.

A central element of our land-use strategy is the proactive processes and equitable approaches we have developed to minimize conflict with landowners. As part of this commitment, Westcoast Energy was a key participant in the recent development of the Canadian Energy Pipeline Association (CEPA) Landowner Policy Statement and Guiding Principles. This policy, a joint effort between CEPA, the National Energy Board, and concerned landowners, was designed specifically to guide more equitable approaches of resolving land-use issues.

Pipeline stream crossings are arguably the most costly and controversial aspect of pipeline construction. With potential impacts to fish, fish habitat, water quality and riparian areas, watercourse crossings create crucial land use issues for Westcoast Energy when developing new pipelines. To address these issues, we continue to work with all of the concerned stakeholders. For example, in 1999, as a member of the Canadian Pipeline Watercourse Crossing Committee (CPWCC), we contributed to the development of "Watercourse Crossings, Second Edition," a compendium of guidelines and best practices for undertaking crossings. More than 1,500 copies of this document have been distributed to pipeline companies, government agencies, contractors and interested public.

Westcoast Energy also has its own comprehensive guidelines for pipeline construction to address issues associated with watercourse crossings. Specifically, the Pipeline Construction Environmental Protection Manual provides clear guidelines and typical drawings or designs for all aspects of pipeline construction from planning through reclamation. This document remains a resource that is used throughout the Company to guide pipeline development.

Safety

Westcoast Energy prides itself on operating in a manner that is safe for employees and the communities in which we operate. In addition to our focus on employee health and safety within the framework of the EHS Management System, we continue to develop and maintain public safety programs such as pipeline integrity, emergency response and crisis management plans.

Pipeline Integrity Initiatives

Maintaining pipeline integrity is central to Westcoast Energy's preventative approach to public safety. Westcoast Energy has a comprehensive pipeline integrity program to protect the pipeline system from any type of damage, including corrosion, stress corrosion cracking (SCC) and geotechnical hazards. The program is focused on preventative activities to prevent pipeline failure, but also addresses repair and maintenance. Westcoast Energy has developed and implemented an aggressive SCC management program, and to date, we have never had a pipeline failure attributable to SCC.

Another key issue is preventing damage caused by inappropriate activities along pipeline rights-of-way.

Pipeline markers indicate the right-of-way



To ensure that landowners and the public understand the need for safe rights-of-way practices, Westcoast Energy undertakes a range of communication initiatives intended to maintain an open rapport with these stakeholders. Through a combination of door-to-door visits, ad campaigns and direct mail campaigns, Westcoast Energy builds awareness of and understanding for the actions we take to maintain pipeline integrity and respond to pipeline incidents.

Emergency Response

Westcoast Energy has always placed a significant focus on preventative activities that reduce the likelihood of a pipeline incident. However, in the event that an unexpected incident does occur, each Westcoast Energy operating company is prepared with comprehensive emergency response plans that address a wide range of risks. The plans, tested regularly, are also supported by full-scale exercises involving local civic emergency agencies.

Corporate Crisis Management

Recognizing the scope and increasing complexity of the Westcoast Energy group of companies, the Corporation recently adopted an overall corporate crisis management plan. It is designed to manage situations that directly affect the Corporation as a whole. The plan is modeled on the widely recognized Incident Command System and links into the existing operating companies' emergency response plans.

The plan was created in early 1999 by a group of professionals drawn from across the Corporation, guided by a steering committee of senior executives. Initial testing of the plan was performed in July and a table-top exercise was held in November. The plan will be tested regularly and adapted to evolve with the changing needs of the Corporation.

Fostering Sustainable Relationships

Westcoast Energy recognizes that people are the key to the ongoing success of our business. We continue to focus attention and resources on relations with employees, communities, Aboriginals and suppliers as well as the general public.

Survey Shows Improvement in Public Awareness Levels

In 1999, Westcoast Energy commissioned a public opinion survey among 480 landowners and 12 community leaders affected by our Pipeline and Field Services Divisions. Following up on a 1996 study, the survey was designed to track changes in knowledge, attitudes and opinions over the three-year period. In general, the survey revealed that Westcoast Energy successfully increased awareness and knowledge of the Company, its operations and emergency response procedures. For instance, among landowners along the right-of-way, 70% (up from 49% in 1996) know to contact the Westcoast Energy Land and Resource Agent if they have questions about the pipeline. Almost 59% (up from 39% in 1996) of landowners know to contact BC One Call in the event of an emergency.

Employee relations

In 1999, our Job Enhancement Program delivered strong results. A joint initiative between Canadian Pipeline Employees Association (CPEA) and Westcoast Energy's Pipeline and Field Services Divisions, Job Enhancement began in 1997 as a structured means for empowering employees to make decisions that would help ensure the Pipeline and Field Services Divisions' success. Last year saw the self-directed teams within the CPEA take on additional daily work responsibilities.

Critical Success Indicators were set to align daily work performance with critical business issues. The work teams and management collaborated early in 1999 to set success targets for performance in areas such as overtime, environmental excellence, budget performance and safety incidents. These targets were measured at year end and Job Enhancement bonuses were paid based on attainment of the targets.

The team that developed Westcoast Energy's Job Enhancement Program will be dissolved in the second quarter of this year as the program has been integrated into the basic structure of the Pipeline and Field Services Divisions. The Divisions will continue to move forward with job

enhancement initiatives based on efficiencies, creativity, and enhanced decision making.

The Pipeline and Field Services Divisions continued to build on their employment equity initiatives in 1999. The Employment Equity Committee completed a thorough employee analysis in 1999 that identified barriers to equal opportunity. The Committee developed an Employment Equity Plan to remove the barriers. Once approved, the Plan will be introduced in 2000, and will take between three to five years to implement.

Community Relations

At Westcoast Energy we believe that our corporate success is directly linked to the success of the communities in which we live and work. Supporting our communities is a sound, long-term investment that improves the quality of life for everyone.

Westcoast Energy enriches communities by providing products and services, job creation and contract opportunities, as well as operating and maintenance and tax spending. We also invest in communities through corporate contributions to not-for-profit organizations. In 1999, the Westcoast Energy group of companies contributed \$1.5 million to initiatives that provide programs and services within the communities in which we operate.

In particular, Westcoast Energy continues to be responsive to community needs in the areas of health and community services, education and the environment. We also give support to arts and culture, civic and sport activities, encouraging and recognizing employee volunteer efforts in all these areas.

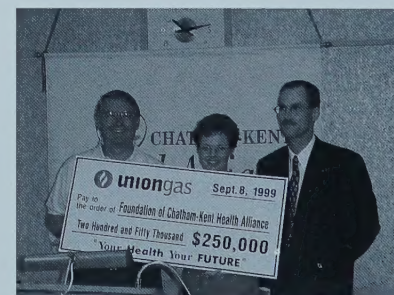
During 1999, the Westcoast Energy group of companies continued to support various endeavours across the country. Our beneficiaries included Arts Umbrella, Atlantic

Theatre Festival, Canadian Parks and Wilderness Society, the Department of Ophthalmology at the University of British Columbia, Family Services of the North Shore for the Westcoast Energy Children's Centre, the Foundation of Chatham-Kent Health Alliance, Northern BC Winter Games, the Parks Foundation Calgary, and the Vancouver Hospital Foundation.

In addition, each company within the Westcoast Energy group makes an annual contribution to United Way. At our Vancouver corporate office, employees are presented with the option of donating to United Way member agencies or to the Environmental Fund of British Columbia and its member agencies. These options reflect Westcoast Energy's commitment to a healthy environment as well as to a healthy society.

Union Gas Ambulatory Care Centre

In 1999, Union Gas made its largest donation to date to the Foundation of Chatham-Kent Health Alliance. A pledge of \$250,000 made a substantial contribution to the amalgamation and restructuring of this Ontario region's health care system; a task that can only be achieved through community partnerships. The new ambulatory care area will be named the Union Gas Ambulatory Care Centre and will benefit patients requiring elective



Union Gas Ambulatory Care Centre



Westcoast Energy Children's Centre; Family Services of the North Shore, Vancouver, BC.



Fort Liard, B.C.

Aboriginal Relations

Westcoast Energy's Aboriginal Relations initiative is an ongoing commitment to build long-term relationships with Aboriginal peoples throughout the Company's operations, based on mutual respect and economic opportunity. Aboriginal communities across the country are undergoing significant change and as a leader in Canadian business, Westcoast Energy views this dynamic environment as an opportunity to formalize its efforts to build effective partnerships with Aboriginal communities and organizations.

Since 1998, Westcoast Energy employees have been guided in their Aboriginal relations by the Company's *Sharing a Vision* policy, available on our Web site: www.wei.pipeline.com/external_affairs.htm

Sharing a Vision, developed in dialogue with Aboriginal leaders familiar with Westcoast Energy and its operations, is founded on our commitment to mutual respect and focuses on community economic opportunities. The policy guides employees working with Aboriginal communities and organizations to increase capacity at the local level by supporting community economic development and employment.

In 1999, our Aboriginal Relations initiatives assisted us to:

- Increase the quantity and quality of Aboriginal participation in the workforce;
- Educate and train Aboriginal partners as well as create detailed business alliance strategies;

- Create supply chain management groups across the Company to ensure that our systems are friendly to small businesses, including new and emerging Aboriginal ventures; and
- Work with Aboriginal suppliers to ensure they can provide services that are of commercial value to Westcoast Energy.

Our four Aboriginal Relations Program resource people continued to assist us in developing relationships with Aboriginal people at the local level – identifying opportunities with Aboriginal communities, delivering cultural education, executing policy and achieving results.

Since 1998, 961 employees across the country have become more familiar with Aboriginal life in Canada through their participation in half-day Aboriginal Community Relations seminars. These sessions have improved employees' understanding of the history, constitutional rights, and interests of Aboriginal peoples in Canada. Topics covered include:

- Westcoast Energy's Aboriginal Relations initiative and business objectives;
- Key strategic factors in our business planning environment;
- Profile of First Nations and Aboriginal people in Westcoast Energy business areas;
- Historical policy and legislation; and
- Current status of key Aboriginal issues.

The seminars consistently receive very positive reviews from employees, with evaluation on all points averaging 86% satisfaction scores. Based on the success of the seminars, Westcoast Energy is currently working to provide employees with opportunities to become better acquainted with Aboriginal people and communities in their operating areas.

Fort Liard Land Use Process

Over the past five years Westcoast Energy has been working with the Acho Dene Koe (ADK) of Fort Liard in the southwest area of the Northwest Territories. Under the leadership of Chief Harry Deneron, the ADK has invited natural gas exploration and development into the region.

In 1998, Chief Deneron met with Irv Koop, then President of Westcoast Energy's Pipeline and Field Services Divisions. The ADK had developed a trusting relationship with Westcoast Energy through working on the Petitot Gathering, an annual gathering of government, industry and Dene peoples from northern BC, northwest Alberta and the southern Northwest Territories. Westcoast Energy also had a good reputation from its working relationships with indigenous peoples in the south.

Chief Deneron expressed his desire to enter into an agreement with Westcoast Energy to work on various natural gas-related projects including distribution of natural gas in Fort Liard and joint-ownership of natural gas gathering facilities in the territory. Westcoast Energy and the ADK have now negotiated a groundbreaking joint venture that will allow the ADK to purchase up to 50% equity in the planned gathering system west of the Liard River.

Supplier Relationships

Westcoast Energy is in the process of identifying and pursuing opportunities to establish supplier relationships that will further reduce operation costs. One strategy is to establish and maintain strategic long-term vendor relationships and move away from the one-time lowest bidder contract method.



Liquid Natural Gas (LNG) Storage Project



countering the organized opposition to the project. In the future, we'd be even more proactive in engaging the community in discussions about a project's merits in order to build and maintain project support throughout the development period."

Supplier Relationships (Continued)

An example of this new strategy was the 1998 Westcoast Energy Field Services Division's major Waste Management evaluation. The Waste Services Review Team included representatives from Pipeline and Field Services who helped guide a cost-effective evaluation of the management of our waste streams and the eventual selection of Hazco Environmental Services Ltd. (Hazco) as the single source provider of waste management services.

Westcoast Energy entered into a five-year contract with Hazco effective May 1999. This agreement will reduce waste management costs, facilitate improved environmental performance, consolidate invoice processes and incorporate review processes to ensure these goals are achieved.

Also in 1999, Westcoast Energy initiated project WAVE — Westcoast Energy and Vendors for Excellence — an initiative to procure materials and services on an enterprise-wide basis. WAVE initiatives will focus on managing long-term vendor relationships that are performance-based, with targets for continuous improvement. This approach, combined with successes like our relationship with Hazco, may present greater opportunities to reduce environmental impacts as we develop vendor relationships.

Looking Ahead

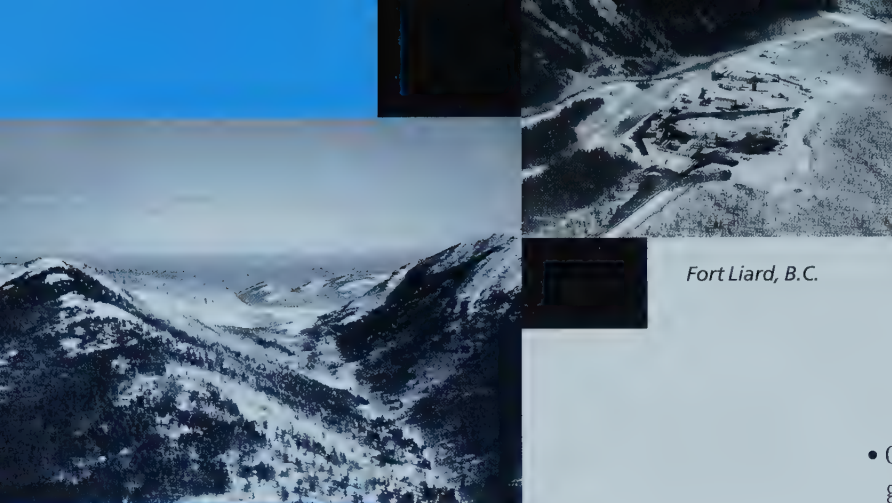
Looking Ahead

As our understanding of environmental, social and economic issues and opportunities increases, Westcoast Energy's approach to sustainable development continues to evolve. As part of this dynamic environment, we are committed to building a sustainable business that provides value to all stakeholders over the long term.

Westcoast Energy has a clear track record in economic performance and we remain committed to growing the Company and delivering value to our shareholders. At the same time, we have made great strides in our environmental performance as a result of the collective efforts of our employees. We also believe that we are making progress in addressing our corporate social responsibilities.



As we move forward, two key challenges remain. We must continue exploring how to fully integrate the economic, social and environmental components of sustainable development into our strategic planning. It is the relationship and balance between these three components that is essential. At the same time, the challenge for Westcoast Energy and society as a whole is to find the appropriate indicators to measure progress in this area. As indicated in our Key Performance Indicator section, we are actively engaged in identifying these indicators and will provide updates in future sustainable development reports.



Fort Liard, B.C.

Aboriginal Relations

Westcoast Energy's Aboriginal Relations initiative is an ongoing commitment to build long-term relationships with Aboriginal peoples throughout the Company's operations, based on mutual respect and economic opportunity. Aboriginal communities across the country are undergoing significant change and as a leader in Canadian business, Westcoast Energy views this dynamic environment as an opportunity to formalize its efforts to build effective partnerships with Aboriginal communities and organizations.

Since 1998, Westcoast Energy employees have been guided in their Aboriginal relations by the Company's *Sharing a Vision* policy, available on our Web site: www.wei.pipeline.com/external_affairs.htm

Sharing a Vision, developed in dialogue with Aboriginal leaders familiar with Westcoast Energy and its operations, is founded on our commitment to mutual respect and focuses on community economic opportunities. The policy guides employees working with Aboriginal communities and organizations to increase capacity at the local level by supporting community economic development and employment.

In 1999, our Aboriginal Relations initiatives assisted us to:

- Increase the quantity and quality of Aboriginal participation in the workforce;
- Educate and train Aboriginal partners as well as create detailed business alliance strategies;

- Create supply chain management groups across the Company to ensure that our systems are friendly to small businesses, including new and emerging Aboriginal ventures; and
- Work with Aboriginal suppliers to ensure they can provide services that are of commercial value to Westcoast Energy.

Our four Aboriginal Relations Program resource people continued to assist us in developing relationships with Aboriginal people at the local level — identifying opportunities with Aboriginal communities, delivering cultural education, executing policy and achieving results.


Since 1998, 961 employees across the country have become more familiar with Aboriginal life in Canada through their participation in half-day Aboriginal Community Relations seminars. These sessions have improved employees' understanding of the history, constitutional rights, and interests of Aboriginal peoples in Canada. Topics covered include:

- Westcoast Energy's Aboriginal Relations initiative and business objectives;
- Key strategic factors in our business planning environment;
- Profile of First Nations and Aboriginal people in Westcoast Energy business areas;
- Historical policy and legislation; and
- Current status of key Aboriginal issues.

The seminars consistently receive very positive reviews from employees, with evaluation on all points averaging 86% satisfaction scores. Based on the success of the seminars, Westcoast Energy is currently working to provide employees with opportunities to become better acquainted with Aboriginal people and communities in their operating areas.

Fort Liard Land Use Process

Over the past five years Westcoast Energy has been working with the Acho Dene Koe (ADK) of Fort Liard in the southwest area of the Northwest Territories. Under the leadership of Chief Harry Deneron, the ADK has invited natural gas exploration and development into the region.



Check us out on the Web.

For more information about Westcoast Energy, our operations, and our progress in sustainable development, visit our Web site at:

www.westcoastenergy.com

joint venture that will allow the ADK to purchase up to 50% equity in the planned gathering system west of the Liard River.

Supplier Relationships

Westcoast Energy is in the process of identifying and pursuing opportunities to establish supplier relationships that will further reduce operation costs. One strategy is to establish and maintain strategic long-term vendor relationships and move away from the one-time lowest bidder contract method.



Looking Ahead

Liquid Natural Gas (LNG) Storage Project

"Our success in receiving project approval from the Environmental Assessment Office was directly related to the rapport and dialogue we developed with the reviewing agencies and the community. Through that dialogue, we were able to deal with all the issues and concerns raised by the public and the agencies involved," says Doug Thorneycroft, project manager, McNab LNG storage project. He adds, "While we utilized public meetings, flyers, radio and TV public service announcements, newspaper inserts and letters to individuals to inform the public about the project we were not as successful as we would have liked in countering the organized opposition to the project. In the future, we'd be even more proactive in engaging the community in discussions about a project's merits in order to build and maintain project support throughout the development period."

Supplier Relationships (Continued)

An example of this new strategy was the 1998 Westcoast Energy Field Services Division's major Waste Management evaluation. The Waste Services Review Team included representatives from Pipeline and Field Services who helped guide a cost-effective evaluation of the management of our waste streams and the eventual selection of Hazco Environmental Services Ltd. (Hazco) as the single source provider of waste management services.

Westcoast Energy entered into a five-year contract with Hazco effective May 1999. This agreement will reduce waste management costs, facilitate improved environmental performance, consolidate invoice processes and incorporate review processes to ensure these goals are achieved.

Also in 1999, Westcoast Energy initiated project WAVE — Westcoast Energy and Vendors for Excellence — an initiative to procure materials and services on an enterprise-wide basis. WAVE initiatives will focus on managing long-term vendor relationships that are performance-based, with targets for continuous improvement. This approach, combined with successes like our relationship with Hazco, may present greater opportunities to reduce environmental impacts as we develop vendor relationships.

Looking Ahead

As our understanding of environmental, social and economic issues and opportunities increases, Westcoast Energy's approach to sustainable development continues to evolve. As part of this dynamic environment, we are committed to building a sustainable business that provides value to all stakeholders over the long term.

Westcoast Energy has a clear track record in economic performance and we remain committed to growing the Company and delivering value to our shareholders. At the same time, we have made great strides in our environmental performance as a result of the collective efforts of our employees. We also believe that we are making progress in addressing our corporate social responsibilities.



Company Reports



Except where noted, all companies are wholly owned subsidiaries of Westcoast Energy Inc.

Transmission & Field Services

Maritimes & Northeast Pipeline Westcoast Energy owns 37.5% and is the operator of the Canadian portion of the Maritimes & Northeast Pipeline. ⑤

Westcoast Energy Pipeline and Field Services Divisions own and operate an integrated natural gas pipeline system that gathers, processes and transports natural gas from northeast B.C., the Northwest Territories and Alberta to markets primarily in southern B.C. and the northwest United States. The integrated pipeline system includes 3,000 kilometres of gathering pipelines, five processing plants, and more than 2,600 kilometres of transmission pipelines. ④ ▲

Westcoast Gas Services Inc. owns and operates four provincially regulated natural gas processing facilities. ■

Gas Distribution

Centra Gas British Columbia Inc. transports and delivers natural gas to more than 67,000 residential, commercial and industrial customers on Vancouver Island and the Sunshine Coast, northwest of Vancouver. Centra Gas BC also provides piped propane to Whistler, BC. ①

Pacific Northern Gas Ltd. (PNG) transports and delivers natural gas to more than 38,000 residential, commercial and industrial customers in west-central and northeast BC. Westcoast Energy Inc. owns 41% of PNG and controls 100% of the voting shares. ②

Union Gas Limited provides natural gas delivery, and storage and transmission services to more than one million residential, commercial and industrial customers in Ontario. ③

International

Westcoast Energy International Inc. employs the technical and commercial skills of its parent company in pursuing energy-related projects in select international locations. It is currently active in the Asia-Pacific Region and Mexico. ■

Power Generation

Westcoast Power Inc. is one of Canada's major power project developers with power generation projects in Canada and in the United States. ★

Energy Services

Engage Energy is an unregulated merchant and management services joint venture, 50% owned by Westcoast Energy and our partner, The Coastal Corporation, an oil and gas company headquartered in Texas. Engage markets, sells, purchases, exchanges and trades natural gas and electric power on a physical or financial basis. It also provides advisory and risk management services relating to the marketing, procurement, consumption, and use of natural gas and electric power. ◆

Enlogix Inc. In 1998, Westcoast Energy formed Enlogix to meet anticipated demand for improved information services. Initial services include customer information services, billing and remittance processing, and advanced metering equipment and services. ■

NGX Canada Inc. operates an electronic commodity exchange, facilitating trading in natural gas commodities at four Canadian market centres. ◆

Trillium USA Inc. provides operational experience, technical expertise, financing and energy supply to the growing international market for natural gas vehicles in the U.S., Canada and Mexico. ◆

Union Energy Inc. offers a complete range of services including energy retailing, energy management, and equipment sales, rentals, financing, and servicing. ▲

Westcoast Capital Corporation provides various financial services and is largely focused on energy-related investments. ●



Fish Sampling

Centra Gas British Columbia Inc. (Centra Gas)



Centra Gas recognizes the importance of proactively addressing safety, health and environmental issues as a cornerstone of operating a sustainable business. All staff are responsible for, and contribute to, our exceptional safety, health and environmental performance. Having a strong, healthy community is vital to our ongoing success, and Centra Gas is committed to contributing to the communities we serve in meaningful and lasting ways.

Leading the Way in Employee Safety

Safety is a primary focus at Centra Gas, and the company's efforts produced strong results. In 1999, the company incurred one of the lowest lost-time accident frequency of all Canadian Gas Association members. The Centra Gas rate was a mere 32% of the Canadian average and represents the second time in three years that Centra Gas achieved these results.

In addition, Centra Gas' preventable vehicle accident frequency of 1.01 (50% of the Canadian average) was also the best reported in Canada - a first time achievement for Centra Gas.

Contributing to the Community

Centra Gas played a leadership role in the successful Victoria United Way campaign. Centra Gas supports more than 40 other community health, environmental, youth, sports, education, safety, arts and cultural organizations throughout Vancouver Island and the Sunshine Coast through donations, in-kind support, and employee involvement.

Engaging with the Environment

A dynamic Centra Gas community initiative began in early 1999 with the pilot program Community Environmental Project Outreach (CEPO). The CEPO program is designed to:

- increase company environmental awareness by "doing and experiencing";
- facilitate the non-financial participation of Centra Gas in local environmental projects; and
- create long term non-adversarial relationships with local environmental organizations.

Some examples of CEPO activities in 1999 include:

- our staff and local streamkeepers working together to improve salmon habitat on Brooklyn Creek in Comox, BC;
- increasing local capabilities by distributing our redundant computers to community environmental organizations;
- our staff providing planning and construction assistance for a major salmon habitat restoration project on the Millstone River in Nanaimo, BC; and
- enhancing company team-building exercises by focusing such activities on community environment restoration projects.

CEPO's benefits to Centra Gas are threefold:

- it reduces risk because employees are more environmentally aware;
- it increases efficiency through better relations with communities, environmental organizations and regulators; and
- it increases our profile as an environmentally responsible and capable company.

Some of the organizations Centra supported in 1999 were BC Children's Hospital, Canadian National Institute for the Blind, Nanaimo Harbourfront Theatre, The Esteem Team, Coast Salish United Soccer Club, Christmas Hill Nature Sanctuary, Victoria Police Department's 'Unity Feast' and YMCA Camp Thunderbird.

Maritimes & Northeast Pipeline (M&NP)



Fisheries Habitat Enhancement

As part of its commitment to Department of Fisheries and Oceans (DFO) in connection with approvals for watercourse crossings that would involve (wet) in-stream work, Maritimes & Northeast Pipeline initiated a fish habitat restoration program in 1999. This program promotes involvement of local community and other parties in programs to restore or enhance fisheries habitat in the watershed areas where (wet) in-stream crossings were undertaken. A Request for Interest generated responses from 23 organizations including ten Aboriginal partnership groups.



The first gas flowed through the Maritimes & Northeast Pipeline mainline system in December 1999, a successful completion to five years of planning throughout which the principles of environmental and economic responsibility, and health and safety were a top priority. As M & NP continues to grow, those important principles will continue to be a priority for all employees, led by professionals in the Lands & Environment, Health & Safety, Operations and Public Relations/Government Relations teams.

Breaking New Ground in Mainline Construction Practices

The Maritimes & Northeast Pipeline mainline is the first natural gas pipeline in Atlantic Canada, and is the single biggest construction project in the history of the Maritimes. The project underwent a rigorous Joint Panel Review, involving five agencies. A dedicated team of more than 2,500 people was required to complete the 568 kilometre, 30-inch (75-cm) mainline from Goldboro, Nova Scotia, to St. Stephen, New Brunswick. Recording more than four million person hours, and with a project accident frequency rate of 1.9, the mainline was one of the most successful major construction projects in eastern Canadian history.

Successful outcomes which reflect M&NP's commitment to environment, health and safety, include:

- developing meaningful working relationships and ongoing cooperation with regulatory agencies;
- working cooperatively with First Nations representatives;
- successfully completing nearly 600 watercourse crossings during construction;
- developing watershed management plans during construction;
- coordinating a fisheries habitat restoration program for wet watercourse crossings;
- designing and implementing an environmental monitoring program;
- establishing a greenhouse gas emissions plan;
- improving air quality throughout the Atlantic Region by providing natural gas;
- providing EHS training to construction inspection personnel; and
- conducting post construction debriefing meetings with regulators, First Nations and land owners to identify issues resulting from construction.

Creating First Nations Relationships and Opportunities

In 1999, Maritimes & Northeast Pipeline extended its commitment to developing mutually beneficial business opportunities with Aboriginal Communities in Nova Scotia and New Brunswick. A number of standing agreement related activities were organized, relationships enhanced and significant economic benefits realized.

With contracts exceeding \$2 million, M&NP's Aboriginal set-aside initiative generated 120 employment opportunities for Aboriginal workers. Aboriginal employment in trade unions during mainline construction exceeded 50 individuals, generating wages in excess of \$1.4 million. Union of New Brunswick Indians (UNBI) and MAWTW (a tribal council that represents three First Nations communities) received funding for both the mainline and Saint John Lateral projects and put measures in place to encourage economic activity within their communities.

In the fall of 1999, discussions resumed with the Assembly of Nova Scotia Mi'kmaq Chiefs to work towards a joint agreement for the mainline project. On December 20, 1999, the Assembly's 13 Chiefs and Pat Langan, M&NP's President, signed a historic agreement.

Preserving Cultural Heritage

In its commitment to preserve culturally and historically important sites, M&NP ensured that Traditional Ecological Knowledge studies were conducted for the mainline and three lateral pipelines. M&NP agreed to deviate from the proposed mainline route or undertook significant site investigation before construction to protect the three potential archeological sites identified.

Pacific Northern Gas Ltd. (PNG)

Environment, health and safety are the responsibility of operations management, assisted by the Westcoast Energy corporate EHS and Sustainable Development department.



Solving Environmental Challenges at Mile Point 309

PNG employed sustainable practices to accomplish a challenging drilling project in an environmentally sensitive area at mile point 309 between Terrace and Prince Rupert. A section of high pressure mainline needed to be installed under the Skeena River, in an area with salmon spawning habitat. Throughout the project, PNG consulted with numerous stakeholder groups, including the Department of Fisheries, the Ministry of Environment, Lands and Parks, and First Nations representatives. PNG also employed First Nations workers to assist with the installation of the line. As a result, salmon spawning was not affected by the drilling and salmon habitat is preserved in the area.

Guiding Employees in EHS and Emergency Response

To ensure its employees understand and adopt safe work practices, PNG developed a Safety, Health, Environment, and Emergency Response (SHEER) Guidebook in 1999. The guide provides information, policies and procedures on the company-wide EHS Policy, general safety, first aid, emergency response, spill reporting, and related contact information. It also includes the *Emergency Response Decision Tree*, a framework developed in part by PNG and approved by the Worker's Compensation Board.

Updating Emergency Response Planning

PNG introduced an updated Emergency Response (ER) plan to all areas of the company to consolidate and replace several existing plans. The ER plan is founded on the B.C. Emergency Response Management System and also complements the SHEER Guidebook. The plan was successfully tested during a company-wide year 2000 Emergency Simulation in October 1999. Annual updates will ensure currency and reliability of ER information and procedures for all employees.

Managing EHS Risk

As part of its proactive management approach, PNG formed a committee to assess employee and public EHS risk. All employee positions and work activities, including their impacts on public safety, were evaluated and classified. The committee recommended ongoing employee risk assessments and public education programs be undertaken to reduce potential risks.



Union Gas Limited

EHS professionals throughout Union Gas' service area facilitate management of environment, health and safety.

Making Progress Towards Sustainable Growth and Development

Union Gas is committed to sustainable development values that define and underscore all of its operations, including interacting with customers, supporting communities, and growing and developing employee skills. A key benchmark for measuring this commitment is recognition of employees for their contributions to the company's corporate sustainable development objectives. Union Gas facilitates employee contributions by setting objectives with clear outcomes and providing employees with the required knowledge, tools and skills development.

Improving Environment, Health and Safety Management

In 1999 Union Gas began the development of a comprehensive Environment, Health and Safety Management System (EHSMS) to improve employee understanding of environment, health and safety and procedures for managing EHS. Implementation of the system is scheduled for 2000. The System is consistent with ISO 14001 international standards and supports the company's EHS mission. It is designed to ensure:

- consistent and diligent EHS management and operational practices are in place;
- EHS performance is consistent with EHS policies;
- EHS risks are effectively and systematically managed; and
- EHS management is aligned with evolving EHS requirements.

The EHSMS is actively supported by senior management through involvement on EHS committees at Union Gas and Westcoast Energy. In 1999, Union Gas also appointed a director for an expanded EHS department structure that includes sustainable development and Aboriginal relations.

Broadening Aboriginal Relations

As part of Westcoast Energy's initiative to build long-term relationships with Aboriginal peoples throughout the Company's entire operations, Union Gas has been building mutually beneficial, long-term relationships with First Nations communities across Ontario. Union Gas donated 70 computers to 32 communities in 1999, helping Aboriginal youth develop technology skills for today's information age. More than 90 communities were invited to submit requests for the special donation. Priority was given to communities that sponsor youth training activities, or that had limited computer access or outdated equipment.

Union Gas also worked with the Indian Taxation Advisory Board to establish a Payment in Lieu of Taxes (PILT) program. It provides First Nations communities located on Union Gas transmission and/or distribution pipelines with a PILT, calculated on the same basis as Union Gas' tax payments to surrounding municipalities. Union Gas met with all 17 eligible First Nations communities to ensure program awareness and implementation.

In an effort to strengthen Aboriginal awareness among its employees, Union Gas partnered with the Canadian Council for Aboriginal Business to provide more than 300 northern employees with Aboriginal awareness training sessions. Led by an Ontario-based Aboriginal trainer, the sessions also highlighted information about Union Gas' Aboriginal Business Development Program.

Working in Partnership for the Parry Sound Project

As part of the comprehensive planning process for its Parry Sound project, Union Gas reviewed a number of pipeline route options to determine an environmentally and economically preferred route that would satisfy Union Gas and its stakeholders. Seguin Trail, a recreational-use trail that follows an abandoned railway line from the Algonquin Park area to Parry Sound, was determined to be the best option. The Ministry of Natural Resources, which is responsible for the trail, also identified utilities as a compatible use.

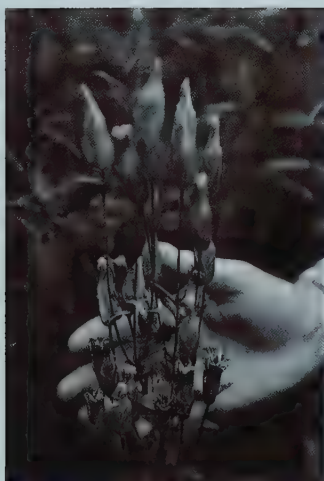
In consultation with the Ministry and a volunteer trail committee, Union Gas developed an agreement for Union Gas' trail use that included the following EHS practices:

- posting notification for all construction-related trail closures;
- using only the existing cleared portion of the trail;
- making improvements to some culverts and the trail surface;
- ensuring site specific restoration measures; and
- providing access controls and scheduling on-site meetings for the trail committee to monitor construction conditions.

With the support of the Ministry and trail committee, Union Gas satisfied economic, environmental, health and safety requisites in completing the project.

Challenges

In August 1996, while installing a gas service under a street, Union Gas (formerly Centra Gas Ontario) struck a sewage main with an air-pressured tool called a "gopher", resulting in the discharge of sewage. Union Gas was charged under the Environmental Protection Act and the Ontario Water Resources Act and on October 15, 1999 was found guilty on both counts by a Justice of the Peace and was fined \$10,000 and \$15,000 respectively. Union Gas has appealed these convictions and fines. The appeal is scheduled to be heard in September 2000.



Westcoast Energy Pipeline and Field Services Divisions

Environment, health and safety is the responsibility of all employees including area managers, supported by local Occupational Health, Safety and Environment (OHSE) Committees along with the Westcoast Energy corporate EHS and Sustainable Development department.

Improving Environmental Operations

To manage its planned growth in a sustainable manner, the Pipeline Division developed an Environmental Operations Plan for its mainline system in 1999. It assists the Pipeline Division in:

- prioritizing the use of resources on local, regional and global EHS issues and requirements;
- increasing community consultation and environmental assessments; and
- reducing discharges through proactive pollution prevention that supports BC pollution prevention initiatives and the federal government's Canadian Environmental Protection Act (CEPA) Pollution Prevention Planning requirements.

The Plan, to be implemented in 2000, recommends combining 16 existing air permits into one system-wide authorization. This will maximize the operational efficiency of the pipeline and reduce the administrative burden on government while reducing permit amendments. It also gives provisions for managing the Pipeline Division's three main areas of environmental concern: methane emissions, nitrogen oxides (NO_x) management and spill management. A public consultation plan is included to guide effective communications on environmental operations between the Pipeline Division and its stakeholders.

Creating Cost Effective Ambient Air Quality Monitoring

The Field Services Division operates one of the largest private ambient air quality monitoring networks in BC, comprised of six sites in the Peace-Liard Region. The B.C. Ministry of Environment, Lands and Parks requires ambient air monitoring and reporting to grant operating permits.

In 1998, the Field Services Division adopted technology to allow the Ministry direct access to monitoring the ambient air network and downloading data. In 2000, a second initiative will be completed allowing the Ministry to access meteorological data at four sites, with access to the remaining two sites scheduled for 2001. Meteorological data is important for evaluating the potential impacts associated with emissions from the Field Services Division facilities and is therefore useful to the Ministry, outside researchers and Westcoast Energy.



Reducing EHS Risks at Prince George Sulphur Products (PGSP)

In the past, PGSP used bauxite as the feedstock for the production of one of its key products, aluminum sulphate. However, the environment, health and safety risks and costs associated with disposal of the sludge byproduct led PGSP to seek a more sustainable process. The result was the recent adoption of aluminum hydrate as an alternative to bauxite as a feedstock. This change provides the following benefits:

- caustic solution use is eliminated;
- the need to landfill 820 tonnes of waste per year is eliminated;
- steam energy use is reduced;

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Employees attended a variety of EHS training workshops

that provided knowledge and skill development.



Westcoast Energy Pipeline and Field Services Divisions

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VANCOUVER BC V6E 9Z9

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- caustic solution use is eliminated;
- the need to landfill 820 tonnes of waste per year is eliminated;
- steam energy use is reduced;
- employee exposure to dust and noise is eliminated;
- sulphuric acid use is reduced by 1.5 tonnes per 100 tonnes of aluminum sulphate produced;
- discharge of particulate emissions is reduced; and
- electrical and fuel energy to handle and process the feedstock to the reactor is reduced.

With a simpler process now contained within an enclosed system, residual handling and potential environmental effects are reduced.

Leading EHS Management

The Pipeline and Field Services Divisions have demonstrated leadership in EHS management practices. In 1999, we received the Canadian Energy Pipeline Association's *Spill Prevention Award* for zero accidental gas releases on our mainline.

Building on the successes of our team approach to the management of EHS, in 1999 the Divisions held their second annual EHS Strategy Session and Workshops in Fort St. John. Approximately 50 employees, consisting of senior managers, OHSE committee chairpersons and EHS staff attended. The purpose of the strategy session was to set the direction and objectives for 1999. The Pipeline and Field Services Divisions also used the session to launch its Environment, Health and Safety Management System (EHSMS), a major initiative scheduled for full implementation over a three-year period.

In connection with the strategy session, more than 150 employees attended a variety of EHS training workshops that provided knowledge and skill development.



Westcoast Gas Services Inc. (WGSI)

Environment, health and safety are the shared responsibility of facility employees, superintendents and regional managers, supported by the President of WGSI and WGSI Occupational Health, Safety and Environment Steering Committee, along with the Westcoast Energy corporate environment, health and safety professionals.

Cooperating with Producers to Reduce Water Entrainment

Westcoast Gas Services Inc. is working with producers who ship natural gas into WGSI pipelines and plants to reduce the incidence of water associated with producer gas and petroleum liquids. When the associated water is encountered, it requires pipeline depressuring and the flaring or venting of significant volumes of natural gas is required to clear the pipeline.

Reduced water content also minimizes the possibility of the formation of gas hydrates. By reducing the likelihood of gas hydrates forming, the potential for pipeline corrosion and failure are reduced. Producers share WGSI's commitment to reducing risks associated with water and are cooperating by installing water-monitoring probes on their associated liquids streams.

Supporting Cleaner Burning Fuel Processes

WGSI supports the stringent emission restrictions and safety considerations that have encouraged B.C. oil and gas producers to shift from burning sour gas in their field facilities to cleaner burning fuel sources where these are available. To support this shift, WGSI has installed new equipment at its Highway gas plant to supply producers with sweet fuel gas. This fuel switching helped reduce sulphur emissions in the Fort St. John Airshed.

Reducing Emissions through Acid Gas Re-injection

WGSI continues to use acid gas injection technology at its Jedney I and Jedney II gas processing plants to dispose of acid gas by-products recovered through the processing of raw gas. These by-products, primarily hydrogen sulfides (H_2S) and carbon dioxide (CO_2), are re-injected in isolated gas reservoir formations, resulting in reduced sulphur and greenhouse gas emissions. In 1999, acid gas reinjection avoided the release of 29,966 tonnes of H_2S and 39,109 tonnes of CO_2 .

Sharing Rights-of-Ways and Leases

In each of the three WGSI facilities constructed since 1996, efforts were made to share pipeline rights-of-way with existing rights-of-way holders and to build plant sites either on or beside existing industrial sites. Sharing corridors and centralizing facilities are two means of reducing the environmental impacts of natural gas gathering and processing operations on wildlife habitat and First Nations' traditional lands.

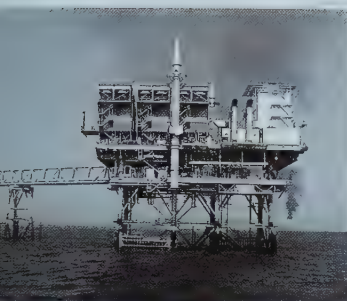


Highway gas plant,
Northeast BC



Westcoast Energy International Inc.

In pursuing international projects, Westcoast Energy International relies on the environment, health and safety expertise of consultants as well as the Westcoast Energy corporate EHS and Sustainable Development department.



Campeche Natural Gas
Compression Services Project

Contributing to Economic and Social Development on the Atasta Peninsula

The Cantarell Nitrogen Project encompasses the construction, ownership and operation of the world's largest nitrogen production and delivery complex. Westcoast Energy is providing project management and EPC oversight during the construction phase and will jointly operate the facilities with BOC Gases, a UK-based gas company.

The nitrogen production facilities will consist of four separate modules, the largest air separation units ever built. They each have a total capacity of 1,200 million cubic feet per day (44,300 short tons per day) of high-purity nitrogen. The nitrogen will be supplied to PEP, the exploration and production arm of Petroleos Mexicanos (PEMEX), the national oil company of Mexico, through onshore and offshore high-pressure pipelines that deliver gaseous nitrogen to the PEP injection platform. The facilities will also include 500 megawatt equivalent of electrical generating capacity and other pipelines for natural gas and water.

The Cantarell Community Development Program is an initiative of Westcoast Energy International and its partners in the Cantarell Nitrogen Project. Its goal is to contribute to the long-term economic and social development of the Atasta Peninsula communities in the state of Campeche, Mexico. The program will include stewardship projects that provide technical support to small business activities that could strengthen the local economy. The program also encourages Mexican authorities and international organizations to provide additional sponsorship of development initiatives.

Expanding Natural Gas Delivery in the Gulf of Mexico

The Campeche Natural Gas Compression Services Project is located in the Bay of Campeche. With a 45% interest, Westcoast Energy serves as the leader of the international consortium and operator of the facility. This project, anticipated to be in operation in mid-2000, will help recover previously flared natural gas for delivery into the Mexican national pipeline system. This system is being expanded to meet the needs of the new natural gas distribution concessions and power generation plants. Once this plant is operational, the recovery of the natural gas will prevent the flaring of up to 175 tonnes per day of sulphur.

Innovative Power Solutions in Shanghai

Shanghai Wei-Gang Energy Co. Ltd. is a 50 megawatt (MW) conventional power generation plant located in Shanghai, Peoples Republic of China. This power plant supplies power to Shanghai No. 1 Iron and Steel's large steel making complex, which provides 40% of the steel output in Shanghai. By using the plant's blast furnace gas as a source of fuel, Westcoast Power has developed a means to produce cost-effective power that also helps reduce atmospheric emissions.

This joint venture is the first Canadian-led power project developed and built in China, and is supported with political risk insurance by the Canadian Export Development Corporation.

Westcoast Power Inc.

Each Westcoast Power facility is responsible for its environment, health and safety management.

Generating New Operations

The development of natural gas fired power generation projects continues to be an integral part of our growth and value creation strategy.

Adopting Fuel Efficient Technologies in New Brunswick

The Bayside Power Project, located in Saint John, New Brunswick, is the repowering of Unit 3 of the Courtney Bay Generating Station to a natural gas fired combined cycle cogeneration facility. The project involves the conversion of a 35-year-old oil-burning unit to a modern high efficiency unit fuelled by natural gas. Once repowered, the Bayside Power Project will be converted from 100 MW to 285 MW output, with overall fuel conversion efficiency increasing from 33% to more than 60%. The plant is scheduled for operation in spring 2001.

Bayside Power will greatly reduce the emissions of sulphur dioxide, carbon dioxide and nitrogen oxides through use of natural gas combined with higher efficiency. The result will be improved air quality for area residents. In addition, providing steam to local industry will increase fuel efficiency and further reduce emissions.

Provincial emissions reductions (per year) at Bayside Power Project

- Sulphur dioxide: 16,000 tonnes (emissions of sulphur dioxide will be almost eliminated)
- Nitrogen oxides: 3,000 tonnes
- Carbon dioxide: 800,000 tonnes

Upcoming Power Projects

Westcoast Power is investigating an additional repowering project at New Brunswick Power's Courtney Bay Generating Station. If undertaken, this project would closely replicate the Bayside Power Project in output and efficiencies. This project would be scheduled for completion by mid-2002.

Westcoast Power is proceeding with detailed engineering and pre-construction activities for the 60% owned Fredrickson Power Project (250 megawatts) in Washington State, U.S., which is expected to commence operations in late 2002.



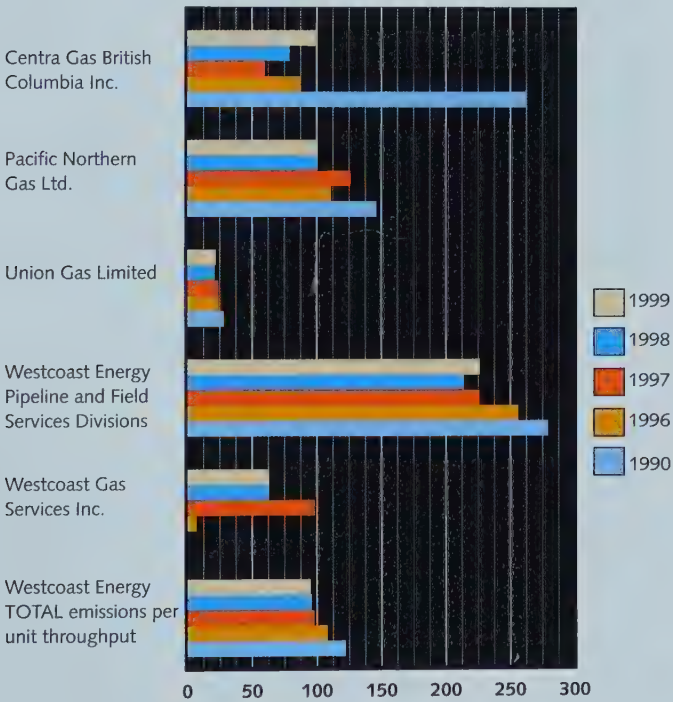
*Bayside Power, Saint John,
New Brunswick*

Sustainable Development Key Performance Indicators

Westcoast Energy understands that making progress in sustainable development requires clear sustainable development objectives supported by key performance indicators (KPIs) that assist in measuring that progress. Our 1999 KPI figures are presented below; however, please note that final revisions to the KPI figures may be made after the Sustainable Development Review has gone to print. For this reason, any revisions to 1998 figures are incorporated in this year's Review. Companies that either have nothing to report, or for which the indicator is not applicable, do not appear in the respective graphs.

Greenhouse Gas Emissions—Per Unit Throughput

Emissions in tonnes carbon dioxide equivalent (tonnes CO₂e) per million cubic metres for gathering, processing, transmission and distribution operations only.



Westcoast Power Inc. emissions data is reported separately in the more detailed VCR Progress Report as the figure is calculated on a CO₂ Equivalent per Gigajoules basis.

Greenhouse Gas Emissions Per Unit Throughput

On an absolute basis, GHG emissions from Westcoast Energy companies are increasing as we expand our business to meet higher market demand for natural gas. While emissions are increasing, so is the volume of fuel delivered, so that on a per unit basis, emissions are declining. This reflects a variety of measures to improve system efficiency and reduce fugitive (unintended) methane emissions.

Changes to previous years GHG inventories reflect revised emission calculation factors. Detailed information is available in the Westcoast Energy Voluntary Challenge and Registry (VCR) 1999 Progress Report at: www.westcoastenergy.com

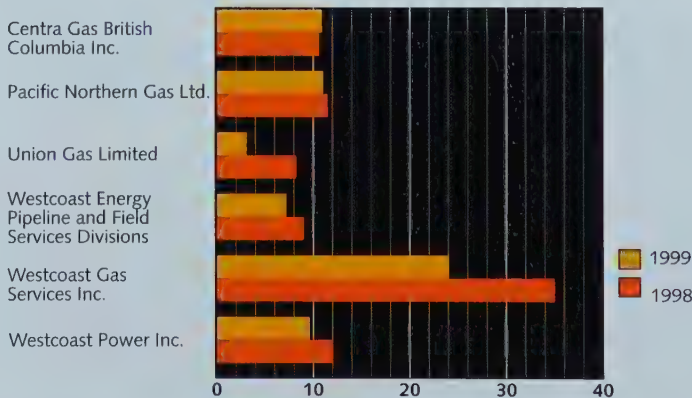
Environment, Health and Safety Training

This figure includes average training hours per full-time employee for all environmental training and mandatory health and safety training.

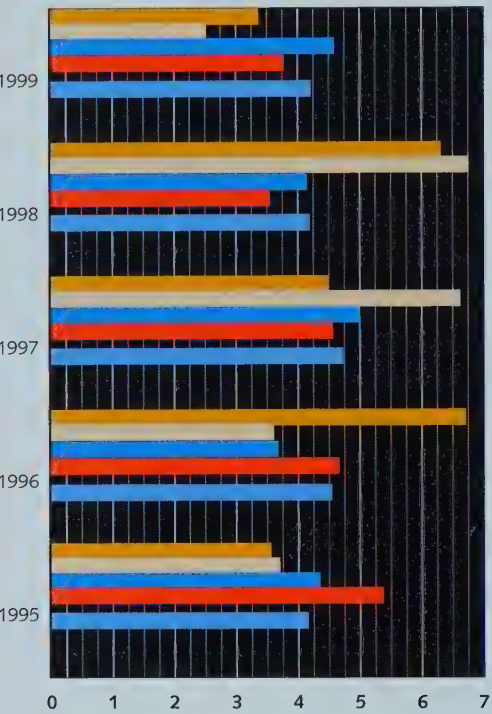
Figures for each company vary according to the ratio of office staff to field employees. For example, field employees receive much more extensive training, reflecting the greater risks they face. This, in part, explains why Westcoast Gas Services Inc., with a staff of primarily field employees, has such a high training figure.

Environment, Health and Safety Training

Average training hours per full-time employee



Motor Vehicle Accidents – Frequency Rate



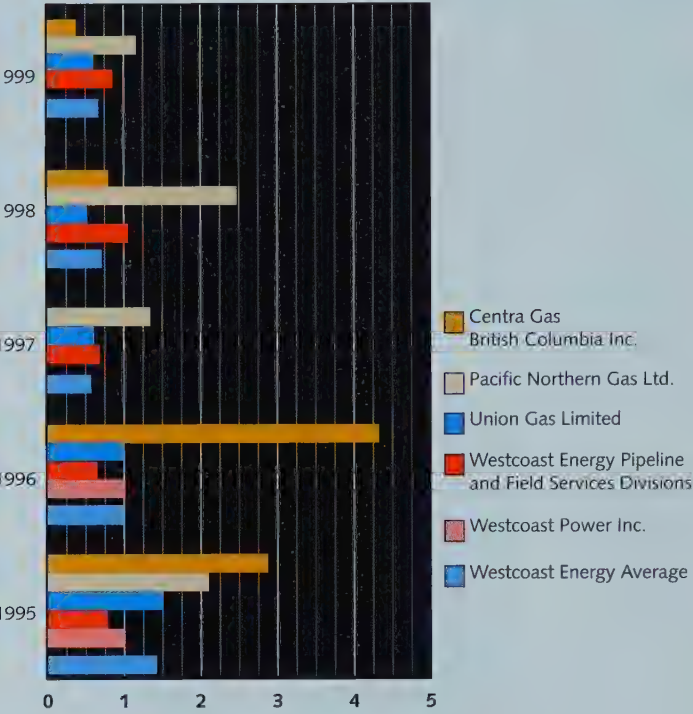
Total recordable motor vehicle accidents (frequency per 1,000,000 kms)

Motor Vehicle Accidents - Frequency Rate

In 1999 we expanded our reporting from preventable motor vehicle accidents to total recordable motor vehicle accidents. This change has occurred in line with Canadian Energy Pipeline Association, Canadian Gas Association (to be adopted in 2000) and U.S. reporting standards.

As a result of increasing the scope of our focus to include previously overlooked motor vehicle accidents, we are seeing performance improvements. Of particular note, Centra Gas reported the lowest frequency rate in Canada for preventable motor vehicle accidents, according to the Canadian Gas Association.

Lost Time Accidents – Frequency Rate



Number of full-time employee lost time accidents per 200,000 hours worked. Average is based on accidents per total hours worked.

Lost Time Accidents - Frequency Rate

Lost time accident frequency rates in individual operating companies have seen some variability, however, corporate figures have seen a gradual downward trend over the past four years. In 1999, Centra Gas incurred one of the lowest lost-time accident frequencies of all Canadian Gas Association members.

Environment, Health and Safety Expenditures

Last year we committed to capturing and reporting our operating activities and capital investment-related environment, health and safety expenditures. Disparities in reporting have led us to suspend the use of this indicator until we, and others in the industry, have developed a standard that can be used for comparative purposes. The central issue posing problems for the development of this indicator is the identification of which items should be included. As methods of calculation become more fully developed, we will once again commence reporting of this indicator. Suffice it to say that at this time, Westcoast Energy has significant EHS expenditures in its operations, management, training, and performance improvement programs.

Reportable Spills

Overall, reportable spills for Westcoast Energy companies have decreased or remained low. The only exception is Union Gas where, for the first time in 1998, contractors were required to provide Spill Reporting and Response Procedures and to complete spill reports for all spills. The increase in reportable spills in 1998 and 1999 may reflect an increased awareness by employees and contractors to respond to and report spills caused by their activities.

Where spills occur, Westcoast Energy companies contain the spilled material, remediate the site and report the spill to regulatory authorities.

Permit Exceedences

The Westcoast Energy operating companies included in this indicator are regulated by provincial governments who issue permits for air, water and land discharges. These permits contain conditions for operations, monitoring and performance reporting. Failure to meet these conditions is considered a permit exceedence. Where exceedences occur, the appropriate ministry is notified.

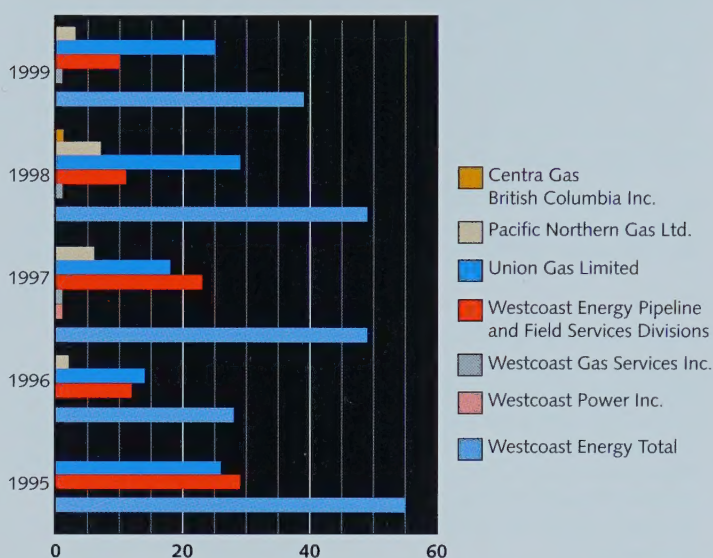
In 1999, we see the results of Westcoast Energy Pipeline and Field Services Divisions efforts as permit exceedences continue to drop.

Sulphur Emissions

Sulphur is a by-product that is removed from raw natural gas when it is processed. During this process, 95% to 99% of sulphur in the raw gas stream is converted to elemental sulphur, which can be used for industrial and agricultural purposes. Most of the remaining sulphur is emitted as sulphur dioxide.

Increased operational efficiencies have led to the conversion of a greater proportion of the sulphur by-product to elemental sulphur, resulting in reduced sulphur emissions. The exception is Pacific Northern Gas Ltd., where a decline in the sweet gas component of the Tumbler Ridge reserve led to an increase in the sour gas (H₂S contaminated) component. This resulted in a significant increase in sulphur emissions from this plant.

Reportable Spills



Spills reportable pursuant to applicable provincial laws

Permit Exceedences

	1995	1996	1997	1998	1999
Centra Gas British Columbia Inc.	0	0	0	0	0
Pacific Northern Gas Ltd.	0	0	0	0	0
Union Gas Limited	0	0	0	0	0
Westcoast Energy Pipeline and Field Services Divisions	21	23	36	13	9
Westcoast Gas Services Inc.	0	0	0	0	0
Westcoast Power Inc.	0	0	0	1	0
Westcoast Energy Total	21	23	36	14	9

Permit Exceedences reportable pursuant to applicable provincial laws

Sulphur Emissions in tonnes per year

	1995	1996	1997	1998	1999
Pacific Northern Gas Ltd.	0.1	0.1	0.2	0.4	107
Westcoast Energy Pipeline and Field Services Divisions	11,996	12,539	12,021	11,327	10,985
Westcoast Gas Services Inc.	14	4	274	276	130
Westcoast Energy Total	12010	12543	12295	11603	11222

Environment, Health and Safety Policy Statement

Westcoast Energy Inc., including its subsidiary companies, is committed to protecting the environment and maintaining public and employee health and safety throughout all phases and locations of operations and construction activities both domestically and abroad.

In meeting this commitment, Westcoast Energy is guided by the following key principles:

Sustainable Development

Environmental, social and economic considerations will be integrated into the processes of planning, construction and operations to ensure that the environment and human needs are supported both in the present and for future generations.

Environment, Health, and Safety Responsibility

Environmental protection, health, and safety are considered to be both corporate and personal responsibilities for Westcoast companies and all their employees.

Further to these principles Westcoast companies will:

- **Policies and Procedures:** Develop and maintain corporate policies and procedures that promote health, safety and environmental protection.
- **Employee Training:** Provide training to support employee responsibilities with respect to environment, health and safety.
- **Communication:** Maintain regular communications with employees, government agencies and the public on environment, health, and safety concerns and issues.
- **Responsibility:** Design, construct, operate, and decommission facilities in a safe and environmentally responsible manner and in consultation with affected parties.

• **Mitigation:** Minimize and mitigate adverse effects of operations and construction on the environment and local communities.

• **Monitoring:** Conduct environment, health, and safety monitoring to identify possible adverse effects and ensure regulatory compliance of company activities.

• **Efficiency:** Use energy and resources efficiently and effectively.

• **Waste Management:** Manage wastes in a safe and efficient manner, and reduce, recycle, and re-use materials where feasible.

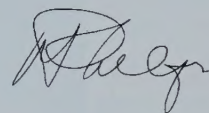
• **Emergency Response:** Prepare for, and respond to, emergencies in a timely and effective manner and remedy any environmental damage resulting from company activities.

• **Reporting:** Provide timely reports to government, employees, and other interested parties on environment, health, and safety performance issues.

• **Compliance:** Comply with, or exceed, applicable environment, health, and safety laws and regulations, as well as appropriate corporate and industry standards, policies, and procedures.

• **Regulatory Consultation:** Consult with government agencies to provide input into environment, health, and safety legislation and policy.

• **Research:** Support scientific investigation and technological innovation to enhance health, safety, and environmental protection within the industries within which the Westcoast group of companies operate.



Michael Phelps,
Chairman and CEO

April 9, 1998

Guiding Principles for Sustainable Development

Westcoast Energy Inc. is committed to Sustainable Development. We have established Guiding Principles to assist us in realizing the long-term environmental and economic responsibilities and opportunities that Sustainable Development presents, within our organization and in the communities that we serve. We are confident that the thoughtful and creative application of these principles to our business activities will secure us a prominent role in the energy services future, and ensure the corporation's competitiveness and long-term goals are supported and advanced.

Integrated Planning And Stakeholder Consultation

1. Sustainable development as a corporate priority

Environmental and socio-economic considerations will be integrated into all aspects of corporate activities, including the planning, construction, operation and decommissioning of facilities.

2. **Shared responsibility** . Decision making with respect to ongoing operations and project development will provide for the participation of all relevant stakeholders.

3. **Information exchange** . Relevant information relating to environmental and socio-economic matters will be exchanged with stakeholders and communities in an ongoing and timely manner.

4. **Life cycle costing** . The full range of costs incurred by the company and society over the useful life of the products or services being used or offered

will be identified and considered in the planning, construction, operation and decommissioning of facilities.

Energy And Materials Conservation And Management

5. **Precautionary approach** . When impact assessments demonstrate a strong probability of serious and lasting socio-economic or environmental effects, the project will be modified such that impact mitigation will be ensured.

6. **Energy and material efficiencies** . Energy and material consumption will be optimized by designing efficiencies into process and facility development and operation, and applying pollution prevention principles to manage waste streams.

7. **Product and service demand management** . Products and services offered to our customers will be developed and managed in a

manner that puts priority on minimizing energy consumption, emissions and other environmental effects, and optimizing energy consumption at the point of end-use.

8. **Ecosystem integrity** . Healthy ecosystems are understood to be a prerequisite to the strength and long term well-being of the environment and economy.

Science and Technology

9. **Scientific rigour** . Decision-making relating to environmental protection will be based on the best information and scientific understanding available.

10. **Appropriate technologies** . Initiatives will be undertaken to identify, research, develop and integrate technologies that support improved environmental performance and competitiveness.

Informing and educating employees, stakeholders and the public is an essential part of making progress in addressing environment, health, safety and sustainable development issues and concerns. We have developed a variety of publications to further explore some of the themes and issues discussed in our Progress in Sustainable Development Review.

Available publications include:

- * Westcoast Energy's Voluntary Challenge and Registry Greenhouse Gas Action Plan
- * Westcoast Energy's Environment, Health and Safety Policy Statement
- * Aboriginal Relations: Sharing A Vision
- * A series of issue and technical papers on climate change

These publications are available at www.westcoastenergy.com. Alternatively, please contact us to request a copy of any of these materials:

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